EXECUTIVE SUMMARY:

The banking structure in Pakistan comprises of the following types, State Bank of Pakistan, Commercial Bank of Pakistan, **ISLAMIC BANKS**, Exchange Banks, Saving banks, Cooperative banks, and specialized credit institutions. The state bank of Pakistan is the Central bank of the country and was established on July 01, 1948. The network of bank branches now covers a very large segment of national economy. The State Bank of Pakistan issues the shares of these periodically. Bank employees and other common peoples can also purchase these shares and earn profit. In the prevailing Era Islamic banking is making its place in the minds of people because of Sharia compliant banking. People feel safety and confidence while routing their transactions through the counters of Islamic Banks. Islamic banking is different from conventional banking as in conventional the rate is predefined while in the Islamic Banking expected rate is define to the customer. Further, the relationship of Banker and Customer is not of Debtor and Creditor while it is of Partners, investor and traders, buyer or seller. The Pioneer of Islamic Banking in Pakistan is Meezan Bank and next after it was **ALBARAKA ISLAMIC BANK**. AlBaraka Islamic Bank is operating in Pakistan since 1991, as a foreign Islamic Bank, licensed by the State Bank of Pakistan as a Scheduled Commercial Bank. It has its Head Office in Bahrain and a network of 18 branches in Pakistan located in Lahore, Karachi, Islamabad, Rawalpindi, Faisalabad, Multan, Gujranwala, Abbott bad, Peshawar and Mirpur (Azad Kashmir).

AlBaraka Islamic Bank is one of **AlBaraka Banking Group (ABG)'s** 10 subsidiaries. AlBaraka branch has Currently Following three Departments General Banking Department, Advances Department & Foreign Exchange Department.

To open an account the customer has to meet the general banking manager with an introducer. The procedure begins with the punching of account opening form to the customer file i.e. customer's master file. Before closing any account, bank send letter to the account hold for informing him that his account is going to be closed. There is need an approval form higher authority to close any account. Current deposits are those which are payable to bank whenever demanded by the customer. Bank does not pay any profit on current deposits. The

following are the financial products/services of AlBaraka Saving Account, Khazana Account, Term/ Fixed Deposits and others like Debit Cards, ATM.

In remittance department like any other bank AlBaraka also have instruments for transferring of money. In cash department both deposits and withdrawals go side by side. This department works under the accounts department and deals with cash deposits and payments. This department maintains the following sheets, books, and ledger of account cash received voucher sheet along with the entry of all data in the IT banking software.

Bank provides this facility to the people who need advance money to meet their requirement. Party dealing with other banks financial condition of borrower business and as a first step credit proposal is being made. AlBaraka provides advances, which are secured and of three types.

- **IJARAH:** Rental Agreement
- **MURABAHA**: sale purchase agreement
- **DIMINISHING MUSHARKA**: Partnership

In foreign exchange, AlBaraka is dealing Foreign Currency Accounts, Foreign Remittances, and Foreign Bills for Collection, Imports & Exports

Foreign currency accounts & the foreign currency department deal with the following types of accounts, Dollar account, Current account, saving bank account, Term deposit. Foreign accounts are convertible on floating rate available to the bank. AlBaraka is providing Letter Of Credit facility in foreign exchange.

BANKS AND SCOPE OF BANKING

What is a Bank?

ORIGIN OF THE WORD "BANK":

There are many definitions of the word "Bank" even the standard encyclopedias and law books find it difficult to state exactly what a Bank is. There have been many attempts by different writers to explain the exact significance of the term BANK. Here some of the definitions are quoted as follows.

The bank Means:

The word "Bank" has been derived from the words 'Banco', 'Bancus' or 'Banque' all of which means a bench. The early bankers transected their activities on benches in the marketplace.

Definitions:

Banking Companies Ordinance 1962: Section 5 (b) defines:

"Banker means a person transacting the business of accepting, for the purpose of lending or investment, of deposits from the public, and withdrawal by Cheque, drafts, order of otherwise and include any post office saving banks."

Dr. Hart:

"A banker is one who, in the ordinary course of his business honors cheques drawn upon him by persons from and from whom he receives money on current accounts."

Gilbert

"A bank is dealer in capital or dealer in money. He in an intermediary party between the borrowers and the lenders."

Samuelson:

"Commercial banks provide certain services for customers and in return receive payments from them."

Comprehensive definition of the bank is:

"A bank is a financial institution which deals with money and credit. It accepts deposits from individuals, firms and companies at a lower rate of interest and gives at higher rate of interest to those who need them. The difference between the rate at which it borrows and that at which it lends forms the source of its profit. A bank, thus, is a profit-earning institute.

WHY BANK IS IMPORTANT?

Economy is the unit of people divided into two groups, one who have something and the other who need it, so when it comes to the funds, those who have funds become SAVERS and those who want it becomes BORROWER, but they both don't know each other, so there comes a party called BANK for interaction of both parties.

Banks play very important role in the economic life of the nation. The growth of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but they borrow, exchange and consume wealth. In this way, they become very effective partners in the process of economic development. Modern banks are very useful for the utilization of the resources of the country.

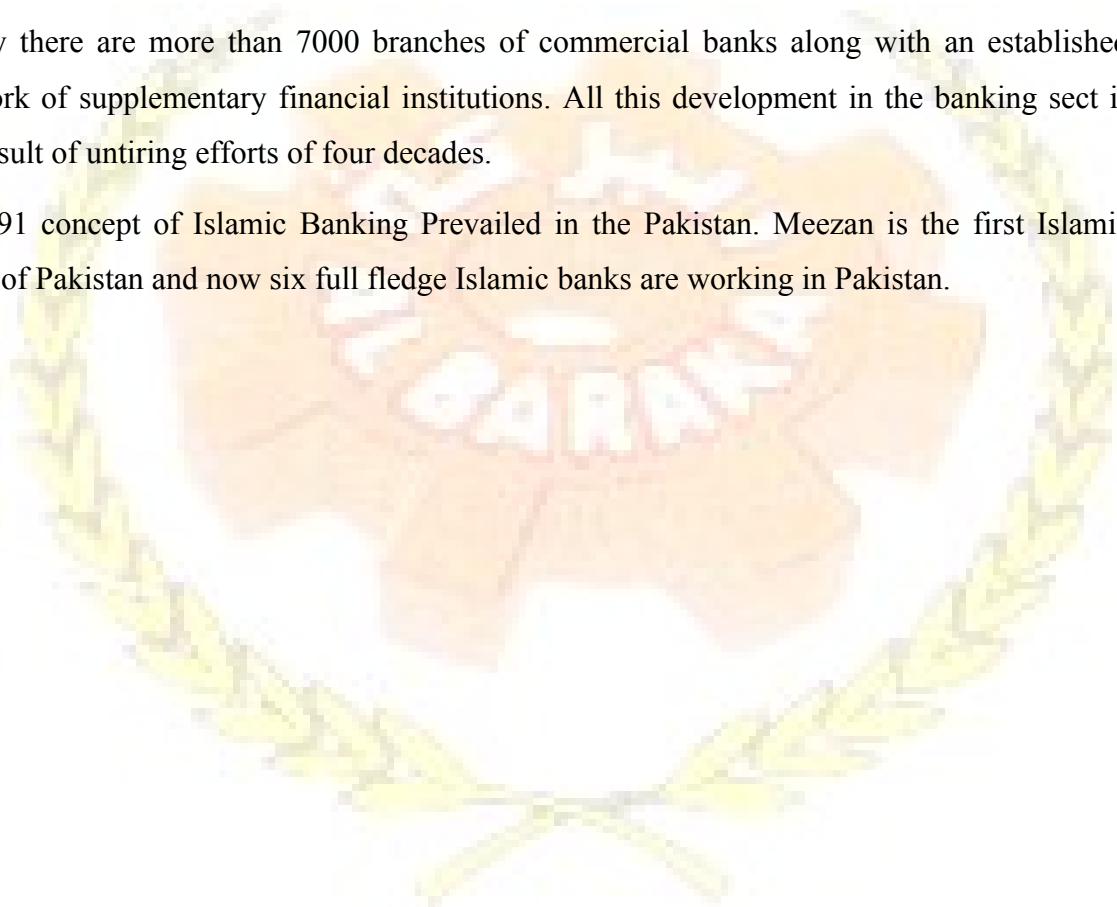
The basic role of the banks is to encourage the habit of savings among the people and to mobilize these savings for the investment purpose. Banks deposit surplus form the public and then advance this surplus in the form of loans to the industrialists, agriculturists, businessmen and unemployed people under different schemes so that they set up their own business. Thus banks help in capital formation.

If there are no banks, then there would be concentration of wealth in few hands and the great portion of capital of the country would remain idle. In the fewer developing countries rate of saving is very low and due to this, rate of investment and rate of economic growth remains very much low. We can take bank just like a heart in the economic structure and the capital provided by it is like blood in it. As long as the blood is in circulation, the organs will remain sound and healthy. If the blood were not provided to any organ then that organ would become useless. So if the finance is not provided to agriculture sector or to industrial sector, it will be destroyed.

COMMERCIAL AND ISLAMIC BANKING IN PAKISTAN

It was very difficult for Pakistan to build up its own Banking system immediately after independence without sufficient resources. Following the announcement of the partition plan in June 1947 there was a haste movement on the parts of banks to transfer their funds and accounts across the borders. The banks having their registered offices in Pakistan were transferred to India. In an effort to bring about the collapse of the new state by the persecuting an international policy of withdrawal, the Indian bank offices closed quickly. Those banks, which stayed, were considering the winding up of their business. By 30th June 1948 the number of schedule banks in Pakistan declined from mere scratch.

Today there are more than 7000 branches of commercial banks along with an established network of supplementary financial institutions. All this development in the banking sect is the result of untiring efforts of four decades.

In 1991 concept of Islamic Banking Prevailed in the Pakistan. Meezan is the first Islamic Bank of Pakistan and now six full fledge Islamic banks are working in Pakistan.

PHASES OF BANKING IN PAKISTAN

Broadly speaking we can divide the development of commercial banking into four phases:

- **PHASE-1** 1947-1974 Establishment of commercial banking system
- **PHASE-2** 1974-1979 Nationalization of banks
- **PHASE-3** 1979-1991 Islamisation process
- **PHASE-4** 1991-2003 Privatization process

FIRST PHASE (1947-74)

SET UP OF COMMERCIAL BANKING SYSTEM:

This was the first phase of development of Pakistan's commercial banking system, which consists of the circumstances under which the development of banking was started in the country.

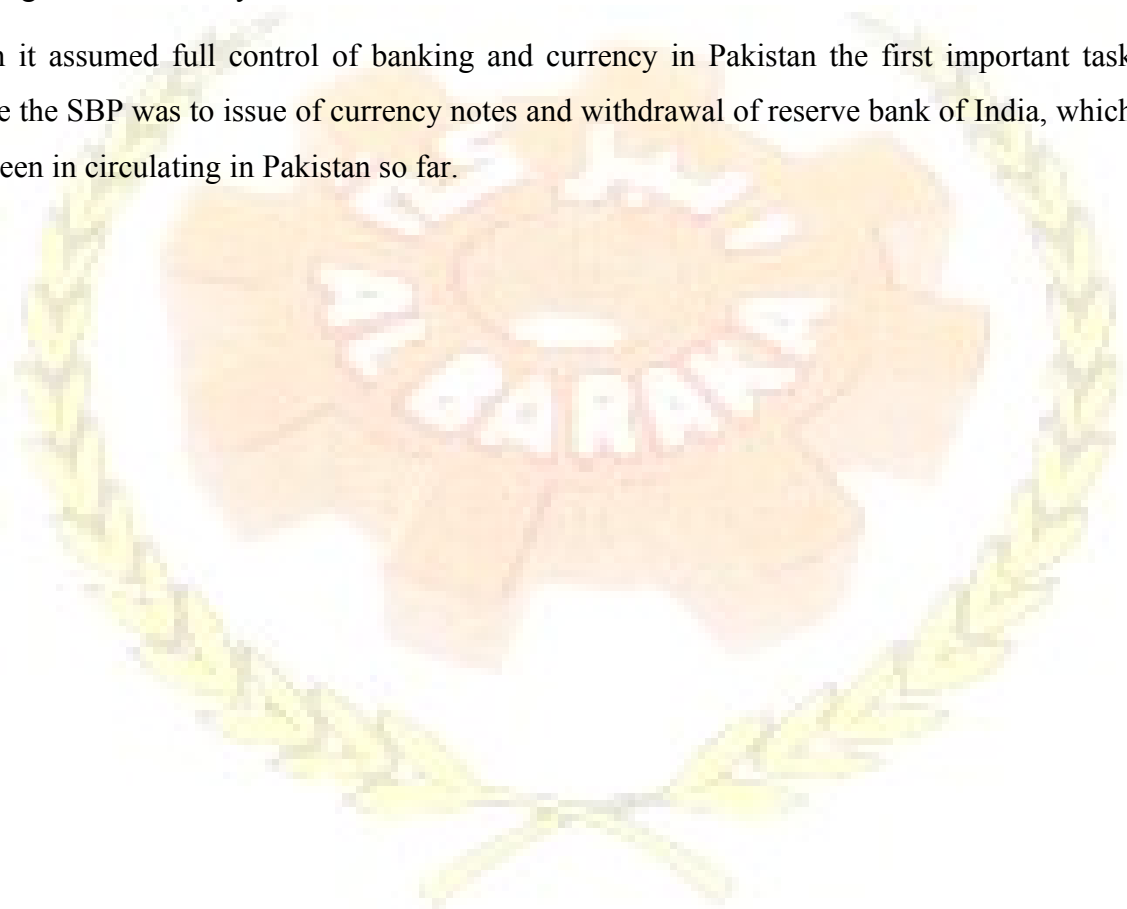
INITIAL POSITION OF BANKING IN PAKISTAN:

There were 19 non-Indian foreign banks in Pakistan at the time of independence with the status of small branch network, whose policies and operations were controlled by their head offices abroad. These banks were engaged solely in export of corps from Pakistan. There were only two Pakistani banks, the Habib bank, which had transferred its head office from Bombay to Karachi after the announcement of the partition plan, and Australian bank, which has been working in Pakistani territories prior to June 1947. The government of Pakistan tried hard to eliminate the banking crises. Banking Companies Ordinance 1947 was promulgated to safe guard the interest of both the bankers and the company's customers. The situation however showed no significant improvements. The imperial bank of India closed down most of its offices in Pakistan, which had been working as the agent of the reserve bank of India was not willing to purchase even token amounts of the government of Pakistan. Securities on the plea that these securities were not marketable. The reserve bank of India was hardly of any help. It refused to help government of Pakistan with advance argument ad-hoc securities to enable them to make essential disbursements such as salaries and other obligations to add

to the difficulties.

The Indian government withheld Pakistan's share of Rs. 75 crore in cash balances held by her at the time of independence. The foregoing developments clearly brought home the urgency of assuming control and currency in Pakistan and brought to the fore the need to setup a central banking institution to take the place of reserve bank of India. Therefore it was agreed between the government of India and Pakistan to authority of Pakistan from 30th September 1947 to 30th June 1948

In order to make necessary arrangements of the establishment of the central bank of Pakistan a committee was appointed to recommend the necessary steps. Consequently the Governor General of Pakistan and father of the nation Quaid-e-Azam Muhammad Ali Jinnah Inaugurated the State Bank of Pakistan on 1st July 1948. After the State Bank order was promulgated on 12th May 1948.

When it assumed full control of banking and currency in Pakistan the first important task before the SBP was to issue of currency notes and withdrawal of reserve bank of India, which had been in circulating in Pakistan so far.

SECOND PHASE (1974-1979)

NATIONALIZATION OF BANKS:

The banking reforms turned out to be a transitional and temporary step and hardly after 18 months had the government nationalized the banking system. Thus through the Nationalization Bank Act 1974, SBP and all commercial banks incorporated in Pakistan and carrying on business in or outside the country were brought under the government ownership with effect from January 1974. The ownership and management of all Pakistan banks stood transferred and rested in the federal government. The shareholders were provided compensation in the form of federal government bonds redeemable at par any time within a period of fifteen years. The amount of compensation was equal to the break up value of the shares in case of commercial banks. For the State Bank shares the amount of compensation was estimated on the basis of average of the clearing quotations during the six working days preceding nationalization. The chairman, director and chief executives of various banks were remove from their offices other than those appointed by the federal government and the state bank. The central board of banks, managing committees and similar other bodies were dissolved. A Pakistani banking counsel was established for nationalized commercial banks to co-ordinate their activities.

As a result of merger of banks the following five major banking companies were formed:

1. **National Bank of Pakistan**
2. **Habib Bank Limited**
3. **United Bank Limited**
4. **Muslim commercial Bank Limited**
5. **Allied Bank of Pakistan**

CAUSES OF NATIONALIZATION:

The nationalization of banks may be justified on the following grounds:

1. Large business and industrial houses dominate the lending policies of the commercial banks; this brought forward the problem of concentration of wealth.

2. Commercial banking operations were guided by profit motives and as a result the backward regions and the small entrepreneurs were never been their favorite customers.
3. The operation of banks, unlike after business, have direct implication on the entire national economy. For instance if the banks raise the cost of their credit, the cost of every thing may go up.
4. Unhealthy complications among banks can lead to financial and economic problems.
5. The flow of bank advances towards national priority sector in general is not forthcoming because private banks are profit oriented.

RESULTS OF NATIONALIZATION:

Although there are doubts about the positive results of the nationalization but we can say that the nationalization of banks provided efficient professional management to expand banking services in every nook and corner of the country. Banks laid full emphasis on their lending policies on priority sector and national building projects, which discouraged non-productive and unhealthy activities like speculation and hoarding, there was also a recorded increase in the number of foreign branches of Pakistani banks.

The growth of Pakistani banking system was significant. The banking facilities expanded in the rural areas. The bank credit increased sharply especially in the public sector. A part from this expansion the banking system's activity seeking to gain credit targets laid down by national Credit Consultative Counsel (N.C.C.C) and to confirm to the priorities over the year to enlarge the flow of credit for the small banker and agriculturist as well as for exports. Bank deposits rose very substantially during a period when total monetary assets also registered a sharp rise. In a remarkable short time banks and their management had adjusted to the

realities and compulsion of the new situation and the system as a whole was completely geared to government objectives and policies.

THIRD PHASE (1979-91)

INTRODUCTION OF ISLAMIC BANKING:

In 1977 the Bhutto government was toppled. The martial law government planned to reform the banking sector in a novel way. The overall policy was to islamise the economy and the banking system, being based on interest was an important target of the new policy. The most preferred form of Islamic bank financing profit and loss sharing would require banks to receive deposit without guaranteeing any return.

The Islamic bank has to acquire a high degree of confidence of the saver to make him deposit his money with them. Not even the return of the principle amount if guaranteed. The Islamic bank cannot finance the project of an investor merely on the furnishing of collateral. The bank will have to be a partner in the project. This will require to careful security of the project and the assessment of risk involved because profits are the function of the amount of risk in the project. Honesty and trust form both sides of the market are more important to the system of Islamic Banking.

Now 6 Islamic banks are working n Pakistan named

- **AL BARAKA ISLAMIC BANK**
- **DAWOOD ISLAMIC BANK**
- **BANK ISLAMI**
- **MEEZAN BANK**
- **DUBAI ISLAMIC BANK**
- **EMIRATES GLOBALISLAMIC BANK**

And the pioneer of Islamic Banking in Pakistan is **MEEZAN BANK.**

FOURTH PHASE (1991-2003)

PRIVATIZATION AND DE-REGULATION:

The government headed by Prime Minister Nawaz Sharif was not fully satisfied with the performance of nationalized. The areas, which were severely criticized, were the falling standard of banking services and common red-tapism. There were complaints about the services as delay in home remittances, dispatch of cheques; drafts, inefficient counter services, bad debts of the banks etc. were on the rise. The government decided to privatize these banks. In order to implement privatization policy a privatization commission was established on 22nd January 1991. The commission has transferred two banks MCB and ABL to the private sector. Application for privatization of other banks namely UBL and HBL were also invited but the bidding response was quite poor. The privatization of these banks is under consideration. Legislation was enacted to permit the establishment of new banks and the government approved 10 application from the private sector for the grant of commercial bank licenses by SBP, out of these 9 new banks have since been incorporated. Till March 1994 there were 20 domestic scheduled banks with 9825 branches and 21 foreign banks with 66 branches in operation in the country. Overall investment of the scheduled banks in the current year rose to 76.7%. At present there are 24 domestic scheduled with 8137 branches and 19 foreign banks with 71 branches are in operation in the country.

WHY ISLAMIC BANKING.

In ISLAMIC BANK and before going into the introduction of bank first describe that why it is important and what it is.

WHY ISLAMIC BANKING:

Before explaining the concept "what is Islamic Banking" the elaboration of concept "why Islamic Banking" is very important.

Islam is a complete code of life that provides guidance regarding each aspect of life.

The primary objectives of Islamic Economic System are as under.

- Equal Distribution of wealth
- Social justice

These objectives can never be achieved in Interest/Riba based economic systems.

Now we come to our core question

"Islamic banking has been defined as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Sharia'h"

DIFFERENCE

ISLAMIC BANKING

1) Functions and operations are based on Sharia'h principles

2) Promote risk sharing between provider of capital (investor) and user of funds (entrepreneurs)

3) Aim at maximising profit but subject to Sharia'h restrictions

4) Partners, investor and traders, buyer or seller relationship

5) Encourage asset-based financing and based on commodity trading

6) No right of profit if there is no risk involved. The profit and loss sharing depositor may lose money in case of loss.

CONVENTIONAL:

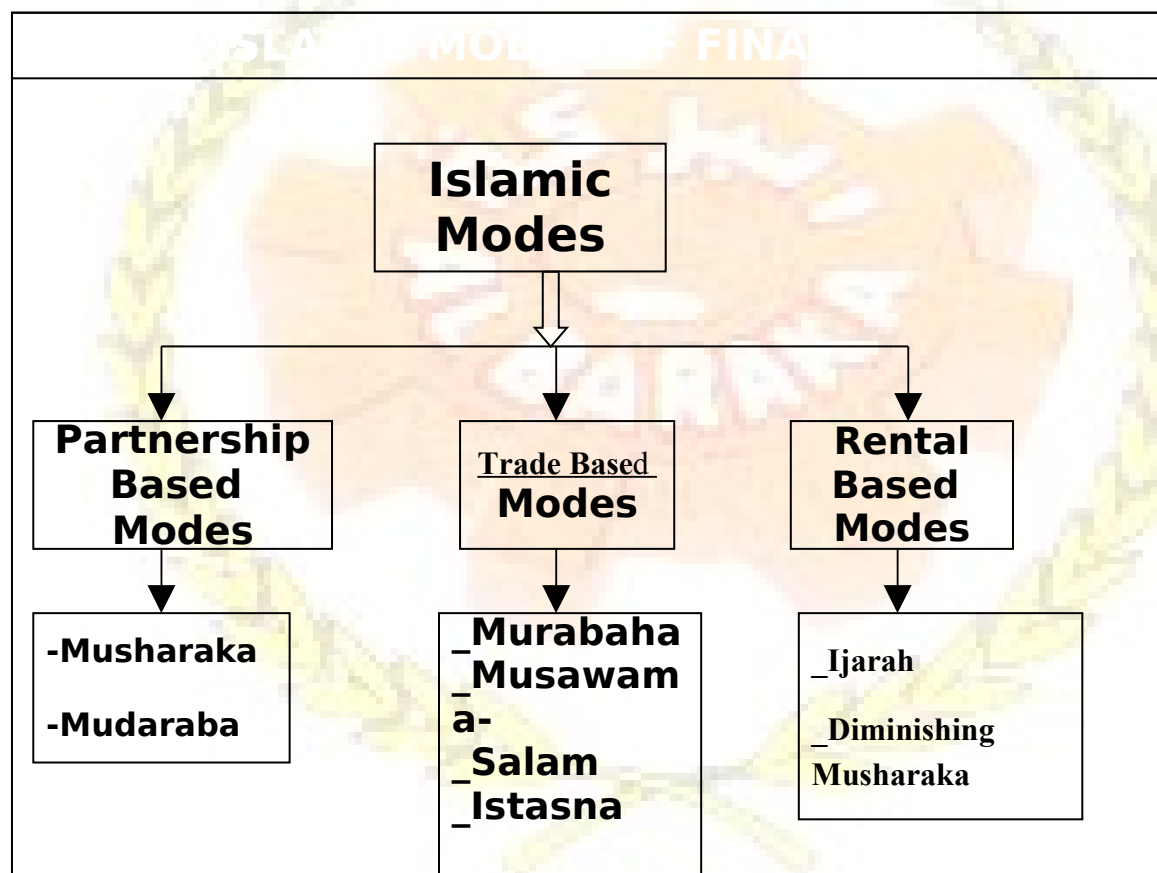
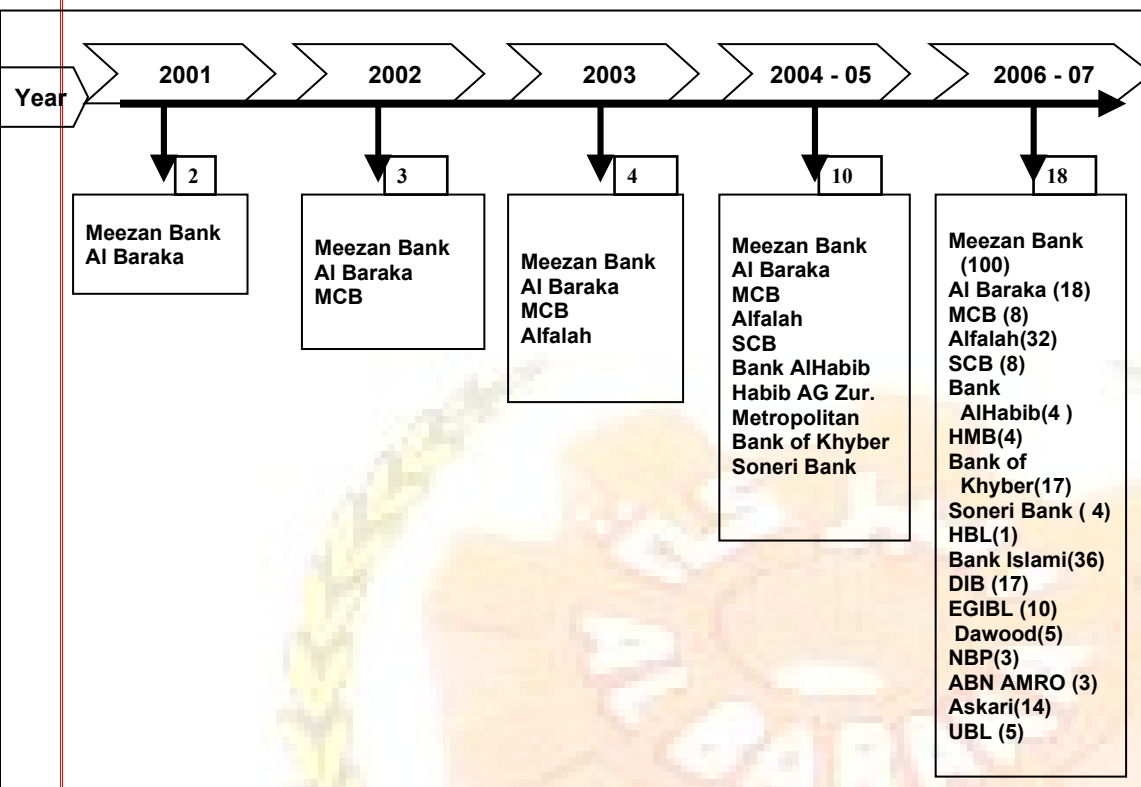
1) Functions and operations are based on fully man made principles

2) Investor is assured of pre-determined rate of interest

3) Aim at maximising profit without any restrictions

4) Creditor-Debtor relationship

5) Based on money trading. Money is a medium of exchange and not a commodity, its sale and purchase is prohibited in Islam.

6) It is almost risk free banking and depositor has no risk of losing its money because interest is guaranteed.

Industry Progress in Pakistan

- Currently there are 6 full fledged Islamic Banks, while
- 6 Full fledge Banks having 186 and 12 Conventional Banks have 103 SAIBBS
- Total IB Branches = 289

INTRODUCTION OF

AL BARAKA ISLAMIC

COMPANY PROFILE:

BOARD OF DIRECTORS	
Mr. khalid Raheed Al Zayani	Chairman
Mr. Adnan Ahmad Yousaf	Vice Chairman
Mr. Othman Ahmad Suleman	Board Of Director
Mr. Abdul Hameed Nazir	Board Of Director
Mr. Mousa Abdulaziz Shihadeh	Board Of Director
Mr. Abdul Latif A. Janahi	Board Of Director
Mr. Adel Saud Dehlawi	Board Of Director

EXECUTIVE COMMITTEE	
Othman Ahmed Sulieman	- Chairman
Adnan Ahmed Yousif	- Member
Abdul Latif Adul Rahim Janahi	- Member
Mohamed Isa Al Mutaweh	Member

THE SHARIA BOARD	
Shaikh Dr. Abdul Sattar Abu Guddah	Chairman
Shaikh Esam Mohamed Ishaq	Member
Shaikh Waleed A. Al Mahmoud	Member

PAKISTAN MANAGEMENT	
Kaleem Iqbal	Regional Manager- North
Ahmed Shuja Kidwai	Regional Manager – South
Amjad Ali	Regional Manager – Central
Basit Tansir	Head of Information Technology
Muhammad Ismail Khan	Head of Operations Dept.
Syed Salman Ali	Head of Treasury
Vaqas Bin Khalid	Head of Compliance Dept
Muhammad Younas	Head of Credit Admin. Dept
Sohail Siddiqi	Head of Consumer Banking
M. Hassan Kaleem	Shariah Advisor
Muhammad Shakeel	Head Risk Management

BANK BRANCHES:

Head Office- Bahrain

Building 238 Road # 1704,
Manama 317, Bahrain.
P.O. Box # 1882,
Manama - Bahrain.
Tel: (973) 535300
Tlx: 8220 BARAKA BN
Fax: (973) 533993
E-mail: barakapk@batelco.com.bh
Web Site: www.barakaonline.com

Country Office - Pakistan

95-B, Hali Road, Gulberg II
Tel: +92-42-5756016, 5756074,
5756084, 5756143, 5756258
Fax: +92-42-5756877
Email: albaraka@albaraka.com.pk

Region: Central

Gujranwala Branch

Anwar Industries Complex, G.T. Road,
Tel: +92-55-4273172
Fax: +92-55-4273190
E-mail: muhammad.arshad@albaraka.com.pk

Region: South

Karachi Main Branch

Lakhani Centre.
I.I. Chundrigar Road,
Tel: +92-21-2636261-5,
UAN: +92-21-111-742-742
Fax: +92-21-2635045
E-mail: khi@albaraka.com.pk

Region: North

Rawalpindi Branch

Block 3, Services Plaza,
262, The Mall,
Tel: +92-51-5792030-3
Fax: +92-51-5792034
Email: rwp@albaraka.com.pk

HISTORY OF BANK..

AlBaraka Islamic Bank is operating in Pakistan since 1991, as a foreign Islamic Bank, licensed by the State Bank of Pakistan as a Scheduled Commercial Bank. It has its Head Office in Bahrain and a network of 18 branches in Pakistan located in Lahore, Karachi, Islamabad, Rawalpindi, Faisalabad, Multan, Gujranwala, Abbottabad, Peshawar and Mirpur (Azad Kashmir).

AlBaraka Islamic Bank is one of **Albaraka Banking Group (ABG)'s** 10 subsidiaries. **ABG**, a Bahrain Joint Stock Company listed on Bahrain and Dubai stock exchanges, is a leading international Islamic bank. It has been rated by Standard and Poors as BBB- with a short term rating of A-3. **ABG** offers retail, corporate, investment banking and treasury services strictly in accordance with the principles of Islamic Shariah. The authorized capital of **ABG** is US$1.5 billion, while total equity amounts to about US$1.51 billion as at 30 Sep., 2007. The Group has a wide geographical presence in the form of subsidiary banking units in 12 countries, which in turn provide their services through more than 240 branches. These banking units are: Banque Al Baraka D'Algerie, **Algeria**; AlBaraka Islamic Bank, **Bahrain**; the Egyptian Saudi Finance Bank, **Egypt**; Jordan Islamic Bank, **Jordan**; Al Baraka Bank **Lebanon**, Lebanon; AlBaraka Bank Ltd, **South Africa**; AlBaraka Bank Sudan, **Sudan**; Bank Et-tamweel Al Saudi Al Tunisi, **Tunisia**; AlBaraka Turk Participation Bank, **Turkey** and AlBaraka Islamic Bank, **Pakistan**, AlBaraka Bank Syria (under establishment), **Syria** and Representative Office, **Indonesia**.

GUJRANWALA BRANCH:

The Gujranwala branch was added to the branch of network of the central region in December 31, 2007.

The branch has the bills department, credit department, foreign trade department and deposits department. It has been just 8 months if its inspection though it could not achieve the breakeven but it is in profit. The branch has competent staff that do their work with meticulously.

ALBARAKA'S COMMITMENT TO ISLAMIC BANKING

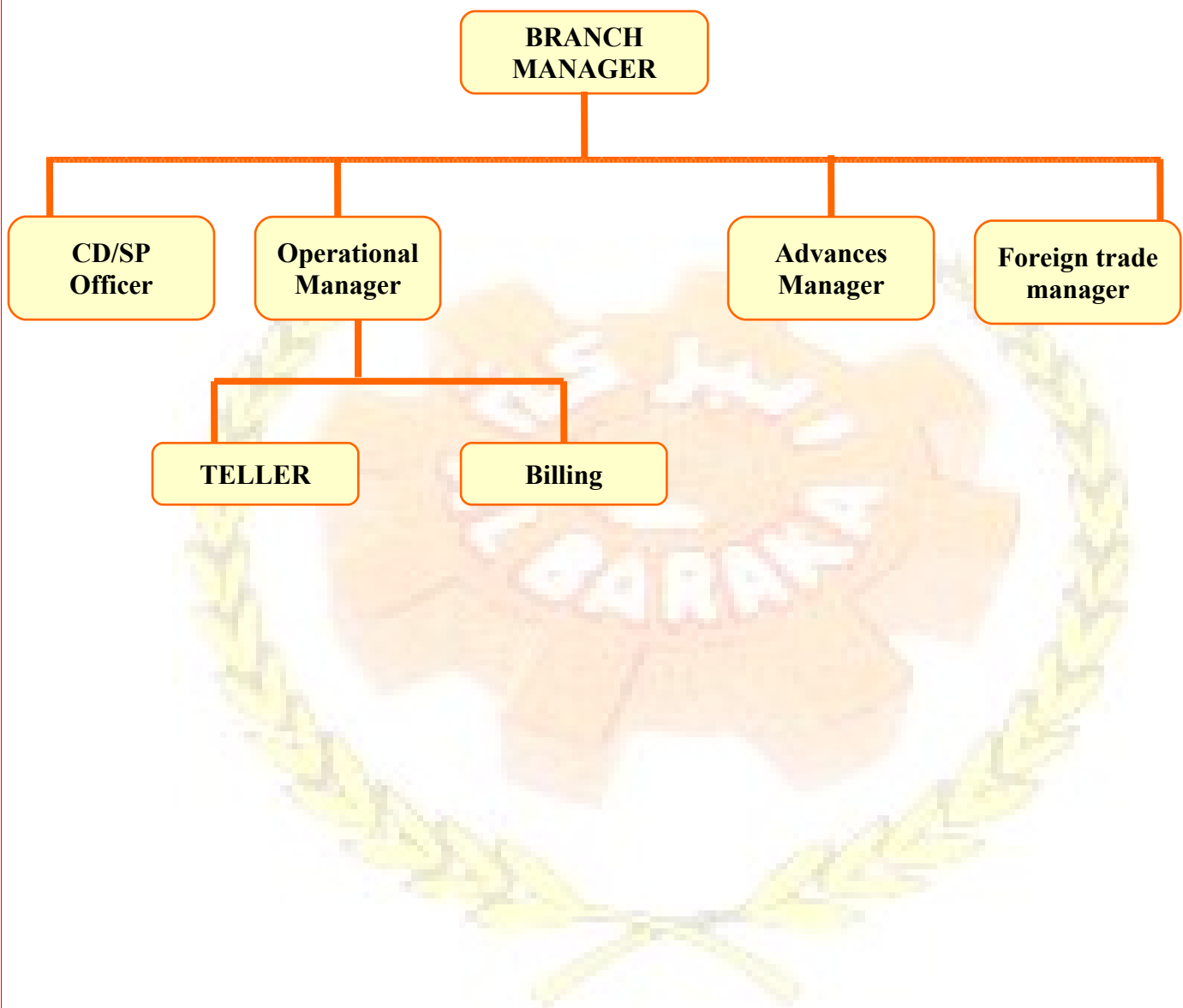
AlBaraka Islamic Bank and Albaraka Banking Group are fully committed to develop and promote an integrated Islamic Financial System. Compliance with the rules and principles of Islamic Shariah is the core of the banking and financial activities and its philosophy. All its banking activities are very closely regulated by a Board of Shariah Advisors based at the Head Office in Bahrain and a Shariah Advisor based in Pakistan, to ensure strict compliance with the highest standards of Islamic Banking principles.

MISSON STATEMENT:-

We strive to be a Premier Regional Islamic Bank, Dedicated to the Economic and Social Development of our target market, Maximizing our Clients and Shareholders Value And focusing on the Human Resource Development In an environment of Creativity and Innovation.

OUR VISION

To be a leading and a diversified International Islamic Bank, Offering a wide range of Quality Products and Services and forming strategic alliances for a Competitive Edge

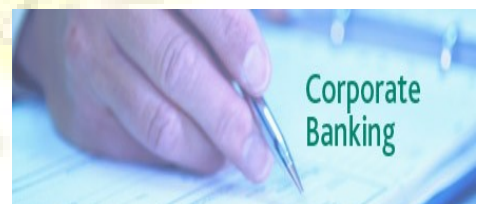
HIERARCHY OF GUJRANWALA BRANCH

PRODUCTS & SERVICES

AlBaraka Islamic Bank in Pakistan, offers a comprehensive range of banking products and services, to suit and serve customers in individual, retail, corporate, SME and consumer categories includes

- **CORPORATE BANKING**
- **ALBARAKA BASIC BANKING ACCOUNT**
- **AMI TERM DEPOSITS**
- **TERM DEPOSITS**
- **ATM FACILITY**
- **DEBIT CARD**
- **ONLINE BANKING**
- **SAFE DEPOSIT LOCKERS**
- **MURABAHA FINANCING**
- **CAR FINANCE**

CORPORATE BANKING

AlBaraka Islamic Bank offers a wide range of banking products and services, fully complying with Shariah principles, as mentioned below, to meet the needs of Sole Proprietorship concerns, Partnership firms, Public/Private Limited Companies and other business entities, falling in the SME, Consumer or Corporate categories:

- Current, Savings & Time Deposits
- Joint Pool Investment Accounts
- Import Financing
- Export Financing
- Working Capital Financing
- Infrastructure Financing
- Project Financing

- Financing of other Business needs All financing/investment facilities comply with Shariah-compliant modes of financing, such as:
- Murabahah (Sale/Purchase/Trading)
- Musharaka (Partnership)
- Ijarah (similar to Leasing)
- Istasna & Salam (Sale of goods at a future date)
- Investment in Sukuks (Islamic Bonds)

But maninly the bank is dealing in

- IJARAH
- MURABAHA
- DIMINISHING MUSHARIKA

IJARAH

"Ijarah" is a term of Islamic fiqh. Lexically, it means **'to give something on rent'**. In the Islamic jurisprudence, the term '**Ijarah**' is used for two different situations. In the first place, it means 'to employ the services of a person on wages given to him as a consideration for his hired services." The employer is called '**musta'jir**' while the employee is called **'ajir'.** Therefore, if A has employed B in his office as a manager or as a clerk on a monthly salary, A is **musta'jir,** and B is an **ajir**. Similarly, if A has hired the services of a porter to carry his baggage to the airport, A is a musta'jir while the porter is an ajir, and in both cases the transaction between the parties is termed as Ijarah. This type of Ijarah includes every transaction where the services of a person are hired by someone else. He may be a doctor, a lawyer, a teacher, a laborer or any other person who can render some valuable services.

Each one of them may be called an '**ajir**' according to the terminology of Islamic law, and the person who hires their services is called a '**musta'jir'**, while the wages paid to the **ajir** are called their **'ujrah** '.Labor .

The second type of Ijarah relates to the usufructs of assets and properties, and not to the services of human beings. 'Ijarah' in this sense means 'to transfer the usufruct of a particular property to another person in exchange for a rent claimed from him.' In this case, the term 'Ijarah' is analogous to the English term 'leasing'. Here the lessor is called **'Mu'jir'**, the lessee is called '**musta'jir'** and the rent payable to the lessor is called **'ujrah'**.

Both these kinds of 'Ijarah' are thoroughly discussed in the literature of Islamic jurisprudence and each one of them has its own set of rules. But for the purpose of the present book, the second type of Ijarah is more relevant, because it is generally used as a form of investment, and as a mode of financing also.

The rules of Ijarah, in the sense of leasing, are very much analogous to the rules of sale, because in both cases something is transferred to another person for a valuable consideration. The only difference between Ijarah and sale is that in the latter case the corpus of the property is transferred to the purchaser, while in the case of Ijarah, the corpus of the property remains in the ownership of the transferor, but only its usufruct i.e. the right to use it, is transferred to the lessee.

Therefore, it can easily be seen that 'Ijarah' is not a mode of financing in its origin. It is a normal business activity like sale. However, due to certain reasons, and in particular, due to some tax concessions it may carry, this transaction is being used in the Western countries for the purpose of financing also. Instead of giving a simple interest - bearing loan, some financial institutions started leasing some equipment's to their customers. While fixing the rent of this equipment, they calculate the total cost they have incurred in the purchase of these assets and add the stipulated interest they could have claimed on such an amount during the lease period. The aggregate amount so calculated is divided on the total months of the lease period, and the monthly rent is fixed on that basis.

The question whether or not the transaction of leasing can be used as a mode of financing in Shari'ah depends on the terms and conditions of the contract. As mentioned earlier, leasing is a normal business transaction and not a mode of financing. Therefore, the lease transaction is always governed by the rules of Shari'ah prescribed for Ijarah.

BASIC RULES OF IJARAH

1. Ijarah is a contract whereby the owner of something transfers its usufruct to another person for an agreed period, at an agreed consideration.
2. The subject of Ijarah must have a valuable use. Therefore, things having no usufruct at all cannot be leased.
3. As the corpus of the leased property remains in the ownership of the lessor, all the liabilities emerging from the ownership shall be borne by the lessor, but the liabilities referable to the use of the property shall be borne by the lessee
4. The period of lease must be determined in clear terms.
5. The lessee cannot use the leased asset for any purpose other than the purpose specified in the lease agreement. If no such purpose is specified in the agreement, the lessee can use it for whatever purpose it is used in the normal course. However if he wishes to use it for an abnormal purpose, he cannot do so unless the lessor allows him in express terms.
6. The lessee is liable to compensate the lessor for every harm to the leased asset caused by any misuse or negligence on the part of the lessee.
7. The leased asset shall remain in the risk of the lessor throughout the lease period in the sense that any harm or loss caused by the factors beyond the control of the lessee shall be borne by the lessor.
8. A property jointly owned by two or more persons can be leased out, and the rental shall be distributed between all the joint owners according to the proportion of their respective shares in the property.
9. A joint owner of a property can lease his proportionate share to his co-sharer only, and not to any other person.
10. It is necessary for a valid lease that the leased asset is fully identified by the parties.

11. The rental must be determined at the time of contract for the whole period of lease. It is permissible that different amounts of rent are fixed for different phases during the lease period, provided that the amount of rent for each phase is specifically agreed upon at the time of effecting a lease. If the rent for a subsequent phase of the lease period has not been determined or has been left at the option of the lessor, the lease is not valid.

12. The lessor cannot increase the rent unilaterally, and any agreement to to this effect is void.

13. The rent or any part thereof may be payable in advance before the delivery of the asset to the lessee, but the amount so collected by the lessor shall remain with him as 'on account' payment and shall be adjusted towards the rent after its being due.

14. The lease period shall commence from the date on which the leased asset has been delivered to the lessee, no matter whether the lessee has started using it or not.

15. If the leased asset has totally lost the function for which it was leased, and no repair is possible, the lease shall terminate on the day on which such loss has been caused. However, if the loss is caused by the misuse or by the negligence of the lessee, he will be liable to compensate the lessor for the depreciated value of the asset as, it was immediately before the loss.

VARIABLE RENTALS IN LONG TERM LEASES

In the long-term lease agreements it is mostly not in the benefit of the lessor to fix one amount of rent for the whole period of lease, because the market conditions change from time to time.

In this case the lessor has two options

(a) He can contract lease with a condition that the rent shall be increased according to a specified proportion (e.g. 5%) after a specified period (like one year).
(b) He can contract lease for a shorter period after which the parties can renew the lease at new terms and by mutual consent, with full liberty to each one of them to refuse the renewal, in which case the lessee is bound to vacate the leased property and return it back to the lessor.

These two options are available to the lessor according to the classical rules of Islamic Fiqh.

However, some contemporary scholars have allowed, in long-term leases, to tie up the rental amount with a variable benchmark, which is so well known and well defined that it does not leave room for any dispute.

This arrangement has been criticized on two grounds:

The first objection raised against it is that, by subjecting the rental payments to the rate of interest, the transaction is rendered akin to an interest based financing. This objection can be overcome by saying that, as fully discussed in the case of murabahah, the rate of interest is used as a benchmark only. So far as other requirements of Shari'ah for a valid lease are properly fulfilled, the contract may use any benchmark for determining the amount of rental.

The basic difference between an interest - based financing and a valid lease does not lie in the amount to be paid to the financier or the lessor. The basic difference is that in the case of lease, the lessor assumes the full risk of the corpus of the leased asset. If the asset is destroyed during the lease period, the lessor will suffer the loss. Similarly, if the leased asset looses its usufruct without any misuse or negligence on the part of the lessee, the lessor cannot claim the rent, while in the case of an interest-based financing, the financier is entitled to receive interest, even if the debtor did not at all benefit from the money borrowed. So far as this basic difference is maintained, (i.e. the lessor assumes the risk of the leased asset) the transaction cannot be categorized as an interest-bearing transaction, even though the amount of rent claimed from the lessee is equal to the rate of interest.

It is thus clear that the use of the rate of interest merely as a benchmark does not render the contract invalid as an interest - based transaction. It is, however, advisable at all times to avoid using interest even as a benchmark, so that an Islamic transaction is totally distinguished from an un-Islamic one, having no resemblance of interest whatsoever. The second objection to this arrangement is that the variations of the rate of interest being unknown, the rental tied up with the rate of interest will imply Jahalah and Gharar which is not permissible in Shari'ah. It is one of the basic requirements of Shari'ah that the consideration in every contract must be known to the parties when they enter into it. The consideration in a transaction of lease is the rent charged from the lessee, and therefore it must be known to each party right at the beginning of the contract of lease. If we tie up the rental with the future rate of interest, which is unknown, the amount of rent will remain unknown as well. This is the Jahalah or Gharar which renders the transaction invalid.

Responding to this objection, one may say that the Jahalah has been prohibited for two reasons: One reason is that it may lead to dispute between the parties. This reason is not applicable here, because both parties have agreed with mutual consent upon a well defined benchmark that will serve as a criterion for determining the rent, and whatever amount is determined, based on this benchmark, will be acceptable to both parties. Therefore, there is no question of any dispute between them.

The Second reason for the prohibition of Jahalah is that it renders the parties susceptible to an unforeseen loss. It is possible that the rate of interest, in a particular period, zooms up to an unexpected level in which case the lessee will suffer. It is equally possible that the rate of

interest zooms down to an unexpected level, in which case the lessor may suffer. In order to meet the risks involved in such possibilities, it is suggested by some contemporary scholars that the relation between rent and the rate of interest is subjected to a limit or ceiling. For example, it may be provided in the base contract that the rental amount after a given period, will be changed according to the change in the rate of interest, but it will in no case be higher than 15% or lower than 5% of the previous monthly rent. It will mean that if the increase in the rate of interest is more than 15% the rent will be increased only up to 15%. Conversely, if the decrease in the rate of interest is more than 5% the rent will not be decreased to more than 5%. In our opinion, this is the moderate view which takes care of all the aspects involved in the issue

PENALTY FOR LATE PAYMENT OF RENT

In some agreements of financial leases, a penalty is imposed on the lessee in case he delays the payment of rent after the due date. This penalty, if meant to add to the income of the lessor, is not warranted by the Shari'ah. The reason is that the rent after it becomes due, is a debt payable by the lessee, and is subject to all the rules prescribed for a debt. A monetary charge from a debtor for his late payment is exactly the riba prohibited by the Holy Qur'an. Therefore, the lessor cannot charge an additional amount in case the lessee delays payment of the rent.

However, in order to avoid the adverse consequences resulting from the misuse of this prohibition, another alternative may be resorted to. The lessee may be asked to undertake

that, if he fails to pay rent on its due date, he will pay certain amount to a charity. For this purpose the financier / lessor may maintain a charity fund where such amounts may be credited and disbursed for charitable purposes, including advancing interest-free loans to the needy persons. The amount payable for charitable purposes by the lessee may vary according to the period of default and may be calculated at per cent, per annum basis . The agreement of the lease may contain the following clause for this purpose:

"The Lessee hereby undertakes that, if he fails to pay rent at its due date, he shall pay an amount calculated at ....% p.a. to the charity Fund maintained by the Lessor which will be used by the Lessor exclusively for charitable purposes approved by the Shari'ah and shall in no case form part of the income of the Lessor."

TERMINATION OF LEASE

If the lessee contravenes any term of the agreement, the lessor has a right to terminate the lease contract unilaterally. However, if there is no contravention on the part of the lessee, the lease cannot be terminated without mutual consent. In some agreements of the 'financial lease' it has been noticed that the lessor has been given an unrestricted power to terminate the lease unilaterally whenever he wishes, according to his sole judgment. This is again contrary to the principles of Shari'ah.

In some agreements of the 'financial lease' a condition has been found to the effect that in case of the termination of lease, even at the option of the lessor, the rent of the remaining lease period shall be paid by the lessee. This condition is obviously against Shari'ah and the principles of equity and justice. The basic reason for inserting such conditions in the agreement of lease is that the main concept behind the agreement is to give an interest-bearing loan under the ostensible cover of lease. That is why every effort is made to avoid the logical consequences of the lease contract.

Naturally, such a condition cannot be acceptable to Shari'ah. The logical consequence of the termination of lease is that the asset should be taken back by the lessor. The lessee should be asked to pay the rent as due up to the date of termination. If the termination has been effected due to the misuse or negligence on the part of the lessee, he can also be asked to compensate

the lessor for the loss caused by such misuse or negligence. But he cannot be compelled to pay the rent of the remaining period.

INSURANCE OF THE ASSETS

If the leased property is insured under the Islamic mode of takaful, it should be at the expense of the lessor and not at the expense of the lessee, as is generally provided in the agreements of the current 'financial leases'. The residual value of the leased asset Another important feature of the modern 'financial leases' is that after the expiry of the lease period, the corpus of the leased asset is normally transferred to the lessee. As the lessor already recovers his cost along with an additional profit thereon, which is normally equal to the amount of interest which could have been earned on a loan of that amount advanced for that period, the lessor has no further interest in the leased asset. On the other hand, the lessee wants to retain the asset after the expiry of the leased period.

For these reasons, the leased asset is generally transferred to the lessee at the end of the lease, either free of any charge or at a nominal token price. In order to ensure that the asset will be transferred to the lessee, sometimes the lease contract has an express clause to this effect. Sometimes this condition is not mentioned in the contract expressly; however, it is understood between the parties that the title of the asset will be passed on to the lessee at the end of the lease term.

This condition, whether it is express or implied, is not in accordance with the principles of Shari‘ah. It is a well settled rule of Islamic jurisprudence that one transaction cannot be tied up with another transaction so as to make the former a pre-condition for the other. Here the transfer of the asset at the end has been made a necessary condition for the transaction of lease which is not allowed in Shari‘ah.

The original position in Shari‘ah is that the asset shall be the sole property of the lessor, and after the expiry of the lease period, the lessor shall be at liberty to take the asset back, or to renew the lease or to lease it out to another party, or sell it to the lessee or to any other person.

The lessee cannot force him to sell it to him at a nominal price, nor can such a condition be imposed on the lessor in the lease agreement.

But after the lease period expires, and the lessor wants to give the asset to the lessee as a gift or to sell it to him, he can do so by his free will. However, some contemporary scholars, keeping in view the needs of the Islamic financial institutions have come up with an alternative. They say that the agreement of Ijarah itself should not contain a condition of gift or sale at the end of the lease period. However, the lessor may enter into a unilateral promise to sell the leased asset to the lessee at the end of the lease period. This promise will be binding on the lessor only. The principle, according to them, is that a unilateral promise to enter into a contract at a future date is allowed whereby the promisor is bound to fulfil the promise, but the promisee is not bound to enter into that contract . It means that he has an option to purchase which he may or may not exercise. However, if he wants to exercise his option to purchase, the promisor cannot refuse it because he is bound by his promise. Therefore, these scholars suggest that the lessor, after entering into the lease agreement, can sign a separate unilateral promise whereby he undertakes that if the lessee has paid all the amounts of rentals and wants to purchase the asset at a specified mutually acceptable price, he will sell the leased asset to him for that price.

Once this promise is signed by the lessor, he is bound to fulfil it and the lessee may exercise his option to purchase at the end of the period, if he has fully paid the amounts of rent according to the agreement of lease. Similarly, it is also allowed by these scholars that, instead of sale, the lessor signs a separate promise to gift the leased asset to the lessee at the end of the lease period, subject to his payment of all amounts of rent. This arrangement is called 'Ijarah wa iqtina'. It has been allowed by a large number of contemporary scholars and is widely acted upon by the Islamic banks and financial institutions. The validity of this arrangement is subject to two basic conditions:

SUB-LEASE

If the leased asset is used differently by different users, the lessee cannot sub-lease the leased asset except with the express permission of the lessor. If the lessor permits the lessee for subleasing, he may sub-lease it. If the rent claimed from the sub-lessee is equal to or less than

the rent payable to the owner / original lessor, all the recognized schools of Islamic jurisprudence are unanimous on the permissibility of the sub lease. However, the opinions are different in case the rent charged from the sub-lessee is higher than the rent payable to the owner. Imam al-Shafi'i and some other scholars allow it and hold that the sub lessor may enjoy the surplus received from the sub-lessee. This is the preferred view in the Hanbali school as well. On the other hand. Imam Abu Hanifah is of the view that the surplus received from the sub-lessee in this case is not permissible for the sub-lessor to keep and he will have to give that surplus in charity. However, if the sub-lessor has developed the leased property by adding something to it or has rented it in a currency different from the currency in which he himself pays rent to the owner/the original lessor, he can claim a higher rent from his sub-lessee and can enjoy the surplus. Although the view of Imam Abu Hanifah is more precautions which should be acted upon to the best possible extent, in cases of need the view of Shafi'i and Hanbali schools may be followed because there is no express prohibition in the Holy Qur'an or in the Sunnah against the surplus claimed from the lessee. Ibn Qudamah has argued for the permissibility of surplus on forceful grounds.

SECURITIZATION OF IJARAH

The arrangement of Ijarah has a good potential of securitization which may help create a secondary market for the financiers on the basis of Ijarah. Since the lessor in Ijarah owns the leased assets, he can sell the asset, in whole or in part, to a third party who may purchase it and may replace the seller in the rights and obligations of the lessor with regard to the purchased part of the asset.

Therefore, if the lessor, after entering into Ijarah, wishes to recover his cost of purchase of the asset with a profit thereon, he can sell the leased asset wholly or partly either to one party or to a number of individuals. In the latter case, the purchase of a proportion of the asset by each individual may be evidenced by a certificate which may be called 'Ijarah certificate'. This certificate will represent the holder's proportionate ownership in the leased asset and he will assume the rights and obligations of the owner/lessor to that extent. Since the asset is already leased to the lessee, lease will continue with the new owners, each one of the holders of this

certificate will have the right to enjoy a part of the rent according to his proportion of ownership in the asset. Similarly he will also assume the obligations of the lessor to the extent of his ownership. Therefore, in the case of total destruction of the asset, he will suffer the loss to the extent of his ownership. These certificates, being an evidence of proportionate ownership in a tangible asset, can be negotiated and traded in freely in the market and can serve as an instrument easily convertible into cash. Thus they may help in solving the problems of liquidity management faced by the Islamic banks and financial institutions.

It should be remembered, however, that the certificate must represent ownership of an undivided part of the asset with all its rights and obligations. Misunderstanding this basic concept, some quarters tried to issue Ijarah certificates representing the holder's right to claim certain amount of the rental only without assigning to him any kind of ownership in the asset. It means that the holder of such a certificate has no relation with the leased asset at all. His only right is to share the rentals received from the lessee. This type of securitization is not allowed in Shari'ah. As explained earlier in this chapter, the rent after being due is a debt payable by the lessee. The debt or any security representing debt only is not a negotiable instrument in Shari'ah, because trading in such an instrument amounts to trade in money or in monetary obligation which is not allowed, except on the basis of equality, and if the equality of value is observed while trading in such instruments, the very purpose of securitization is defeated. Therefore, this type of Ijarah certificates cannot serve the purpose of creating a secondary market. It is, therefore, necessary that the Ijarah certificates are designed to represent real ownership of the leased assets, and not only a right to receive rent.

AL BARAKA PRODUCT OF IJARAH

CAR FINANCING (IJARAH)

- Maximum amount Rs. 1,000,000.
- Swift approval within 2-3 days
- Strict compliance to Islamic Sharia'h.
- 3 year and 5 year term ijara at competitive rates.
- Available against any brand new unregistered car.
- Car to be registered in the name of the bank.
- Client to be provided with authenticated duplicate registration of the car and duplicate key, along with an authorization certificate from AIB permitting the client to drive the vehicle.
- Spouse, children or parents can be co-applicants, subject to the age criteria
- The facility has an early adjustment option in which asset can be purchased by making payments at the pre determined amount given in the undertaking to purchase the leased asset.
- Provisional rental schedule to be provided to the customer at the time of booking of the asset and the payment will be made on the basis of this schedule. Any revision in the payment schedule during the intervening period from the date of booking to the date of delivery will result in the adjustment to the rental schedule.

FEE & PAYMENTS

-10% of the value of the car to be provided as security deposit

-Payments through equal monthly rental to the Bank in the form of post dated cheques

-One time processing and documentation charges Rs. 3,000

ELIGIBILITY

-All Pakistani nationals holding computerized NIC. Old NIC acceptable against evidence of having applied for new

-Minimum 21 years of age at the start of financing and maximum 60 years at the time of maturity

-Salaried, Business or Self-employed.

Along with this Ijarah of plant and machinery can also be done.

MURABAHA

Murabahah is derived from the root word which literally means profit. Murabahah sale is defined as selling a commodity for its purchase price plus a specified mark-up or profit agreed upon. The mark-up may be a lump sum or a certain percentage of the purchase price. Thus, murabahah is the resale of a thing at some profit added on the original cost.

Murabahah is a trust transaction. If the seller in a Murabahah transaction is guilty of any deception, the purchaser is at liberty to reject the thing or to take the full price stipulated. If the article perishes before the purchaser returns it, or anything happens to it which would prevent cancellation of the sale on discovery of the deception, the purchaser is liable for the full price mentioned, and is without any option.

Conditions for Murabahah

The most important conditions of the murabahah sale are as follows:

- The buyer has to know the original price of the commodity including all the expenses.
- The profit to seller must be declared to the buyer whether it is a certain fixed amount of money or a percentage of the original price.

- The first contract (first sale) must be legitimate from the point of view of shariah; otherwise, the murabahah contract will be cancelled.
- If the commodity was inflicted by any defects, the seller has to inform the buyer about it, because murabahah sale is a trust sale and the seller should not betray his buyer. If, however, the buyer discovers that the seller has betrayed him he either for a compensation or a cancellation of the sale.
- Murabahah is not allowed with regard to the ribawi properties. Any exchange of ribawi properties should be like for like and on the spot. As such the sale of, for instance, 10 kg of rice for 15 kg is not allowed. Any increase or delay in exchange of
- ribawi commodities amount to usury

MURABAHA FINANCING

The Bank provides finance on the basis of Murabaha (cost plus profit margin).

'DIMINISHING MUSHARAKAH

Another form of Musharakah, developed in the near past, is 'Diminishing Musharakah'. According to this concept, a financier and his client participate either in the joint ownership of a property or an equipment, or in a joint commercial enterprise. The share of the financier is further divided into a number of units and it is understood that the client will purchase the units of the share of the financier one by one periodically, thus increasing his own share till all the units of the financier are purchased by him so as to make him the sole owner of the property, or the commercial enterprise, as the case may be.

The Diminishing Musharakah based on the above concept has taken different shapes in different transactions.

HOUSE FINANCING ON THE BASIS OF DIMINISHING MUSHARAKAH: -

The proposed arrangement is composed of the following transactions:

1. To create joint ownership in the property (Shirkat-al-Milk).

2. Giving the share of the financier to the client on rent.

3. Promise from the client to purchase the units of share of the financier.

4. Actual purchase of the units at different stages.

5. Adjustment of the rental according to the remaining share of the financier in the property.

ALBARAKA PRODUCT OF DIMINISHING MUSHARAKA:

Your dream, your peace of mind, a house or Maskan of your own, is now a reality with AlBaraka's 'Maskan' home finance scheme on the Shariah compliant concept of Diminishing Musharaka.

We Respond to Your Needs

- Purchase of House / Flat
- Construction of House
- Purchase of Plot & Construction
- Renovation of House / Flat
- Asset Transfer Facility

Eligibility

- Minimum age 25, Maximum 60 years (at the time of maturity of Musharaka)
- Available for salaried and self-employed
- Minimum income* as low as Rs. 20,000 per month

Why Albaraka's Maskan?

- Strictly Shariah Compliant
- Minimum processing charges
- Quick approval process
- Up to 80% of Bank's participation

- Low rental rates
- Fixed and floating rate options
- Repayment tenure from 3-to 20 years
- Bank shares in Insurance and property tax
- Co-applicant option

ALBARAKA BASIC BANKING ACCOUNT

- Available to any individual, as a Current Account in Pak Rupees
  Minimum initial deposit: only Rs. 1,000/-. No minimum balance requirement.
- No restriction on the frequency of transactions in the account.
  Statement of account to be sent to the customers once in a year as at 31 December.
- Eligibility: any individual (new or existing customer) who fulfils our Bank's standard criteria for opening of an account, particularly fulfilling the KYC and AML requirements.
- Where account balance remains 'nil' for a continuous period of six months, the account to be closed.
- Cheque Book facility available (charges as per Bank's current schedule of charges)
- Automatic entitlement to AIB's 'BaraKash' Card for ATM/POS transactions (charges as per Bank's current schedule of charges)
  Entitlement to AlBaraka Online Banking services (charges as per Bank's current schedule of charges)

RUPEE SAVINGS AND CURRENT ACCOUNT

- Absolutely No Minimum Balance Requirement. Every customers is our Valued Customer And No Customer is Small in our Eyes!
- No Service Charges, even if Your balance goes down

- No limitations on number of Deposits or Withdrawals
- At AlBaraka, we are committed to develop and promote an integrated Islamic Financial system. Compliance with the rules and principles of Islamic Shariah is the core of banking and financial activities of the Bank.

KHAZANA ACCOUNT

Khazana Account is a PLS Checking Account with Minimum Balance requirement of Rs. 250,000. The calculation of profit is on a daily product basis.

FREE OF COST BANKING SERVICES FOR ALL KHAZANA ACCOUNT HOLDERS

- It's a PLS Checking Account
- Minimum Balance of Rs.250,000
- Profit calculated on daily product basis
- Quarterly Profit Payments
- No Restriction on number of Deposits and Withdrawals
- No Service Charges
- Free of Cost Banking Services
- Inter-branch Funds Transfers (within AlBaraka branches)
- Stop Payments
- Hold Mail convenience
- Balance Confirmation Certificate

INCENTIVE ACCOUNT

Incentive Account is a PLS Checking Account with a Minimum Balance of RS 100,000. The calculation of profit is on a daily product basis.

- Another PLS Checking Account
- Balance of Rs.100,000

- Minimum Profit calculated on daily product basis
- Six-Monthly Profit Payments
- No Restriction on number of Deposits and Withdrawals
- No Service Charges
- Free of Cost Banking Services
- Inter-branch Funds Transfers (within AlBaraka branches)
- Stop Payments
- Hold Mail convenience
- Balance Confirmation Certificate

AMI TERM DEPOSITS

Combine the Security of Investment through a Bank and Earning of Halal Profit according to **Islamic Shariah**.

AlBaraka Murabaha Islamic Account (AMI) is a joint pool investment / deposit account, which is free from Interest / Riba, where you can invest as little as Rs. 50,000 or as much as you want to, for an investment period of three months, six months, one year or more at your convenience. The bank will invest these funds in Murabaha or Ijarah transactions. Some of the highlighted features of the scheme are as follows:

- Joint pool investment account
- Approved as Shariah compliant and returns on it as 'Halal' by Darul Ifta Centre for Islamic Economics and Darul Uloom Karachi
- Funds invested only in Murabaha or Ijarah transactions, strictly complying with principles of Islamic Shariah
- Under strict supervision of Bank's Shariah advisor
- Minimum investment: Rs. 50,000 only
- No maximum ceiling

- Profit to be paid after every six months or on maturity
- Investor / Rab-ul Maal and Bank / Mudarib share profits on 50/50 basis
- Zakat and withholding tax deductible as per rules
- For periods from Three Months to 5 Years, to suit Your Requirement
- Presently available in Pak Rupees
- Choice of Monthly provisional Profit Payments on longer term Investment
- Low Minimum Investment Requirement
- Facility for Encashment before maturity, if you need it
- Financing Facilities against your Savings on easy terms

At AlBaraka, we are committed to develop and promote an integrated Islamic Financial system. Compliance with the rules and principles of Islamic Shariah is the core of banking and financial activities of the Bank.

TERM DEPOSITS

Term or Time Deposits offered according to the principles of Shariah:

- For periods from Seven Days to Five Years and more, to suit Your Requirement
- In Pak Rupees or Foreign Currencies
- Most rewarding returns on your Deposits, based on Bank's Profitabilit
- Facility for Encashment before maturity, if you need it
- Financing Facilities against your Savings on easy terms

Flexible Investment from 1 month to 5 years

ATM Facility

- Cash when you need it, 24 hours a day, 7 days a week
- Available at thousands of ATM's on the 1-LINK & M-NET networks throughout Pakistan
- Very competitive charges

AlBaraka Islamic Bank is pleased to reaffirm its commitment to continue in its tradition of providing class service to its valued clientele. Our ambition is to be customer focused in all our efforts and our ultimate goal is to provide you seamless and trouble free banking solutions. Your BARAKASH is being accepted on all the ATM Machine across Pakistan. By the grace of God, AlBaraka Islamic Bank has started its ATM Card Services from February 12, 2004.

DEBIT Card

- Your BaraKash card doubles up to serve as your Debit Card also
- Just shop at any of the member outlets and pay by direct debit to your AlBaraka account - you don't have to carry cash on shopping!

ONLINE Banking

- Connecting all our branches on-line in real-time
- Deposit into, Withdraw from or Check Balances in, your account at any AlBaraka Branch in any city, from any AlBaraka branch in any city, as you wait!
- Convenient for both: Individuals and Business People

Tell us what else can we do for you, and we shall certainly try our best!

SAFE DEPOSIT LOCKERS

PREFERENCE CRITERIA FOR ALLOTMENT

- Working Ladies
- Housewives
- Professionals

ADDED ADVANTAGE

- Maximum security with "Dual Lock System"

- Each Locker with a separate Box and your private lock for added protection

DEPARTMENTS OF BANK

Al Baraka Islamic bank is performing its activities through the following functions:

DEPOSIT DEPARTMENT

The function of deposit department is to collect deposits from customers. Following type of deposits are offered by AIB.

i. Current deposit
ii. Saving bank deposit
iii. Term deposit account
iv. Khazana Account
v. Foreign currency deposit

1. Current Deposits

In the type of account the client is allowed to deposit or withdraw money as and when he likes. He may, thus, deposit or with draw several times in the day if he likes. Usually the bank allows this and service chargers are deducted by the bank and current deposit account.

2. Saving Bank Deposits

This type of account is for those persons who want to make small savings. This type of account is opened with Rs. 100. there is no limitation of withdrawals from this account.

3. TERM DEPOSIT ACCOUNT:

In the type of account a certain amount is deposited for a certain, period such as six-month, two years or longer. A fix deposit receipts is issued in the same of the depositor. The receipt is signed by the officer in charge and the bank manager. A notice is given to the depositor requesting the depositor to withdraw his money or to renew this deposit. The profit allowed on fixed varies with the period for which the deposits are made.

4. Foreign Currency Accounts

Depositing foreign currency opens foreign currency account. In AIB you can open foreign currency account in:

i. **US DOLLAR**

ii. **POUND STERLING**

iii. **JAPANESE YEN**

BOOKS RELATING TO CUSTOMERS

a) Pay-in-Slip

When money is to be deposited in the bank the pay in slip is to be filled. The object of this book is to provide the customer with the bank's acknowledgement for receipt of money to be credited his account.

b) Cheque Book

A chequebook contains a number of cheques, which is given to a customer upon written request and after marking the payment for the chequebook. It enables a customer to make withdrawal from his account or make payment to various parties by issue of cheques.

CLEARING:

Clearing system is a device, which enables bankers to settle cheques and other instruments drawn on each other. The system is of immense value in saving a lot of labour, time and expenditure and is increasing the efficiency of the Banking system."

OR

"Clearing means to transfer money from one account to another account. AIB also provide the facility of clearing cheques of other banks or other branches of AIB. For clearing a special process is followed by all banks. All the banks including AIBget the Facility of NIFT (National Institution Facilitation Technologies). The agents of NIFT collect Cheque from the bank."

Two types of clearing:

- Inward Clearing
- Outward Clearing

Outward Clearing:

Outward clearing consists of those cheques and other instruments which we have to present for payment to other local banks at the Clearing House through our local Main Branch.

OR

The cheque lodged for payment on other banks is called outward clearing. Outward clearing when customers of Bank come to the bank with cheques of different banks and demands payment in their account this comes under outward clearing. The cheques are delivered to other banks. On receiving the cheques from the customer filled the deposit slip and handover to the bank officer bank stamped the cheques properly.

Process of Outward Clearing:

- Put special crossing stamp
- Enter in the Outward clearing register
- Affixed discharge stamp on the back of instruments
- Make the schedule
- Clearing stamp will be for next working date

Inward Clearing:

Inward clearing consist of those cheques and other instruments, which were presented by other local banks payable by a branch.

OR

The cheque deposited by other banks and received for payment is called inward clearing For example: When a person who is not account holder of bank comes to the bank and demands payment by showing the cheque of bank account holder it comes under inward clearing. Sometime the bank receives the cheques from NIFT for clearing.

Precautions/scrutiny

- Drawn on us.
- Discharge stamp/signature in order
- Special crossing stamp of collecting banker
- Cheque must be signed
- Mutilation confirmed. (if any)
- Validity of cheque

Stamps used for Clearing:

- Crossing Stamps
- Clearing Stamps
- Endorsement Stamp
- Payee Account Stamp

STAMPS FOR OBC:

- Crossing.
- OBC stamp (showing #)

STAMPS FOR NIFT:

- Crossing.
- Clearing Stamp.
- Intercity Stamp.

Clearing

All the cheques of Gujranwala i.e. inward and outward. Clearing process completes in one day. The agents of NIFT collect cheques from the bank

Intercity

It includes cheques of all the big cities i.e Karachi, Lahore, Islamabad, Peshawar etc. Clearing process completes with in 6 to 7 days. The agents of NIFT collect cheques from the bank

OBC (Outward Bill for Collection):

"OBC stands for Outward Bill for Collection. It includes all the rural areas where NIFT cannot reach so cheques are sent to them for clearing and clearing process completes in 90 days."

Every bank acts in two way i.e.

i. Paying Bank

ii. Collecting Bank

Here in theory no legal obligation on a banker to collect cheques, drawn up to other banks for a customer. It is, however, an important function of crossed cheques. A large part of this work is carried out through the bankers clearing house wherever it is established.

PROCEDURES AFTER SCRUTINIZING

After scrutinizing the cheque and other deposit instruments and paying slip at the counter the following procedure is under taken by cashier if he is satisfied.

1. Fixing the stamp.
2. Scrutiny, and receipt by the authorized officer
3. Returning the counter foil to the depositor.
4. Certificates and confirmation by the officer-in charge of the department.
5. Separating the cheque into transfer delivery, and clearing cheque.

ADVANCES DEPARTMENT

1. Introduction
2. Securities.
3. Types of advances

INTRODUCTION

The function of advances department is to lend money in the form of clean advances, against pr9omissory notes, as well as secured advances against tangible and marketable securities. The bankers prefer such securities that do not run the risk of general depreciation due to market fluctuations. It is another major department of the branch. Bank provides this facility to the people who need advance money to meet their requirements. For getting the advances, the first step is the preparation of credit proposal. Some principles of lending are considered whenever financing being is made.

These principles are:

- Character
- Capacity
- Collateral
- Capital
- Condition

REQUIRED INFORMATION:

- An assessment of his business abilities
- Accurate & up-to-date financial statements
- Market reports about the borrower
- Party dealing with other banks (CIB)
- Nature and structure of borrower business and credit information (BBFS)
- Names of proprietors, partners or Directors
- Detail of companies associated with borrower business
- Financial condition of borrower business

Common Securities for the banker's advances are as under:-

SECURITIES

1. Guarantees

When an application for advance cannot offer any tangible security, the banker may rely on personal guarantees to protect himself against loss on advances or overdraft to the applicant.

2. Mortgage

A mortgage is the transfer of an interest in specific immovable property for the purpose of security the payment of money advanced or to be advanced by way of loan, and existing or future debt, or the performance of an engagement, which may rise to a pecuniary liability. The transfer is called a mortgagor, the transferee a mortgage.

3. Hypothecation

When property in the shape of goods is charged as security for a loan form the bank the ownership and possession is left with the borrower, the goods are said to be Hypothecated The essence of hypothecation is that neither the property in the goods not the possession of them are possession is left with the borrower, the goods are said to be Hypothecated the essence of hypothecation is that neither the property in the goods not the possession of them are possessed by the lender, but the security is granted by means of letter of hypothecation, which usually provides for a banker's charge on the hypothecation goods.

4. Pledge

In a pledge the ownership remains with pledge, but the pledge has the exclusive possession of property until the advance is repaid in full. While in case of the default the pledge has the power of sale after giving due notice.

5. Promissory Note

Sometimes promissory note is also accepted as a security, "A promissory note is an instruments in writing containing an unconditional undertaking signed by the maker, to pay on demand or at a fixed or determinable future time a certain sum of money only, to or to the order of certain persons, or to the bearer or the instrument." A promissory note is incomplete until has been delivered to payee or the bearer. Moreover, the sum promised in a promissory note may be made by two or more makers who may be liable there on jointly and severally.

TYPES OF ADVANCES

The advances, which are given by Al Baraka Islamic Bank, are as under: -

1. CAR FINANCING (IJARAH)

- Maximum amount Rs. 1,000,000.
- Swift approval within 2-3 days
- Strict compliance to Islamic Sharia'h.
- 3 year and 5 year term ijara at competitive rates.
- Available against any brand new unregistered car.

- Car to be registered in the name of the bank.
- Client to be provided with authenticated duplicate registration of the car and duplicate key, along with an authorization certificate from AIB permitting the client to drive the vehicle.
- Spouse, children or parents can be co-applicants, subject to the age criteria.
  The facility has an early adjustment option in which asset can be purchased by making payments at the pre determined amount given in the undertaking to purchase the leased asset.
- Provisional rental schedule to be provided to the customer at the time of booking of the asset and the payment will be made on the basis of this schedule. Any revision in the payment schedule during the intervening period from the date of booking to the date of delivery will result in the adjustment to the rental schedule.

FEE & PAYMENTS

- 10% of the value of the car to be provided as security deposit
- Payments through equal monthly rental to the Bank in the form of post dated cheques
- One time processing and documentation charges Rs. 3,000

ELIGIBILITY

- All Pakistani nationals holding computerized NIC. Old NIC acceptable against evidence of having applied for new
- Minimum 21 years of age at the start of financing and maximum 60 years at the time of maturity
- Salaried, Business or Self-employed

2. MURABAHA FINANCING:

The Bank provides finance on the basis of Murabaha (cost plus profit margin).

In this the sale and purchase agreement is made between the parties and the customer becomes the agent of the bank and purchase goods on the banks behalf for his own self and

then pay the rentals and at the end of the tenure the customer purchase that commodity from the bank.

3. ALBARAKA PRODUCT OF DIMINISHING MUSHARAKA:

Your dream, your peace of mind, a house or Maskan of your own, is now a reality with AlBaraka's 'Maskan' home finance scheme on the Shariah compliant concept of Diminishing Musharaka.

WE RESPOND TO YOUR NEEDS

- Purchase of House / Flat
- Construction of House
- Purchase of Plot & Construction
- Renovation of House / Flat
- Asset Transfer Facility

ELIGIBILITY

- Minimum age 25, Maximum 60 years (at the time of maturity of Musharaka)
- Available for salaried and self-employed
- Minimum income* as low as Rs. 20,000 per month

WHY ALBARAKA'S MASKAN?

- Strictly Shariah Compliant
- Minimum processing charges
- Quick approval process
- Up to 80% of Bank's participation
- Low rental rates
- Fixed and floating rate options

- Repayment tenure from 3-to 20 years
- Bank shares in Insurance and property tax
- Co-applicant option

FOREIGN EXCHANGE DEPARTMENT

- International trade is growing and with the development of international trade it has become more imperative.
- For countries to devote more and more attention to the complicated mechanism of Foreign Exchange. It is more important in case of developing countries. It is need of time, that a country should conserve its foreign exchange resources.

MEANING OF FOREIGN EXCHANGE

The foreign exchange term refers to the principles that determine the rate of exchange. It covers following three senses:

i. The mechanism or system by which international obligations or indebtedness are fulfilled.

ii. The currency of one country is exchanged for that of another.

iii. The principles on which the people of the world settle their debts to one another.

DEPOSITING MONEY IN FOREIGN CURRENCY ACCOUNT

As similar to the deposit in the general accounts the customer deposits the amount in the foreign currency account by using the deposit slip of bank, in that deposit slip it is mentioned that which currency the customer going to deposit. But the foreign currency cannot be deposited on the cash counter but the slip and cash both will be deposited by the foreign exchange officer.

FOREIGN EXCHANGE TRANSACTIONS

The foreign exchange transactions are usually of two types.

i. **Merchandise Transaction**

These consist of visible imports and exports, i.e. the purchase of goods for abroad and sale of goods to abroad. it requires

- Registration at Corporate Law Authority
- Membership with of Chamber of Commerce/association
- NIT # must be obtained from Income Tax Authorities
- Affidavit of not a government servant/ not been black listed
- Submit a photo copy of NID along with the documents
- Company must have a foreign currency account in any bank
- The individual/company must have registered at EPB
- The exporter/importer should have some party in contact

ii. **Service Transaction**

These represent inward and outward payments in respect of shipping, insurance, banking and travel services. It includes payments in respect of interest, dividends, rents and profits etc.

iii. **Unrequited Transfers**

In indicates the payments and receipts from of reign countries in shape of such items as home remittances by workers abroad, gifts, aids etc.

LETTER OF CREDIT:

Letter of credit is the guarantee given by the importer bank to the exporter bank that if the importer fails to pay the money, the importer bank also called Applicant's bank pay on his behalf.

PARTIES INVOLVED

There are three main parties involved in this whole process of import through L/C.

Seller: also called beneficiary of the process.

Issuing Bank: "The bank of the importer is called as issuing bank and may also be known as the Applicant's Bank."

Advising Bank: "The bank which will provide its services including to dispatch letter of credit to seller with its own letter after checking the authenticity of the letter of credit."

REQUIREMENTS FOR INITIATION

If an importer uses L/C mode of import; following requirements are as given:

I. Performa Invoice
II. L/C Application Form
III. Form I Set
IV. Approval from Credit Department

TYPES OF LETTER OF CREDIT

There are several methods for making payment of an import or export transaction. These are listed below:

Irrecoverable Letter Of Credit

The issuing bank (importer's bank) gives a lasting undertaking to accept and pay bills drawn upon it, to the exporter, upon fulfilling the terms and conditions stipulated in the Letter of Credit (LC). It gives complete protection to the exporter.

Recoverable Letter of Credit

The issuing bank (importer's bank) can modify the LC without any obligation on its part. These are usually not accepted by the exporters.

Confirmed Letter of Credit

This kind of LC has the protection of the credit standing of the importer's as well exporter's banks. The exporter's bank which confirms this LC, takes full responsibility of making payment if the importer's bank fails to do so.

- **Unconfirmed Letter of Credit**

Though the issuing bank gives a commitment to honor the drafts, however, it does not give any guarantee. From the exporter's point of view confirmed irrecoverable LC is the best form of receiving payment.

MODES OF PAYMENT

There are four modes payments which are as follows:

- Deferred Credit
- Sight Credit
- Acceptance Credit
- Negotiation Credit

Deferred Credit

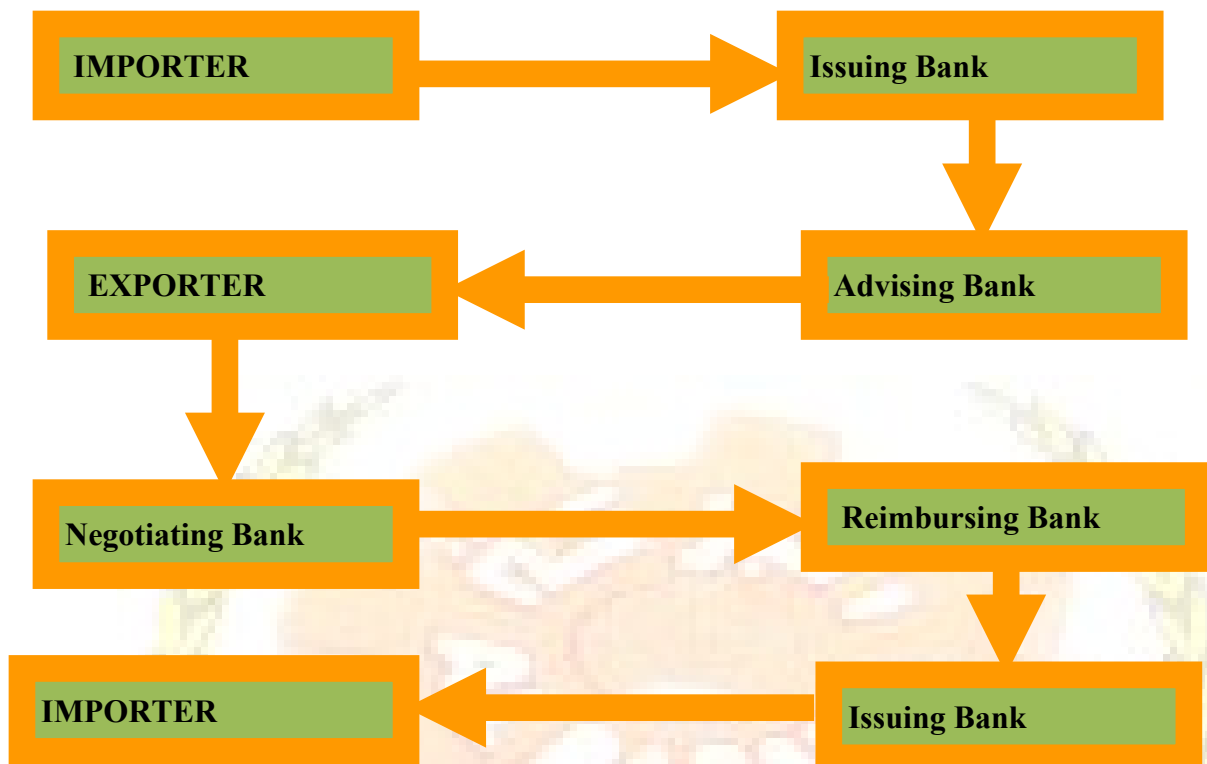
The draft is issued by the importer and presented to the bank by the exporter along with documents (bill of loading, invoice, and insurance). The payment is made by the bank on maturity of draft.

Sight Credit

The draft is issued by the importer and presented to the bank by the exporter along with documents (bill of loading, invoice, and insurance). The payment is made by the bank if it finds the documents correct.

Acceptance Credit

Bank confirmed that document has been received and payment would be made within certain time period.

HOW THE PROCESS TAKES PLACE

EXPORTS

The function of export may be carried through

I. Export through Advance Payment
II. Export through Collection
III. Export through Letter Of Credit

EXPORT THROUGH ADVANCE PAYMENT

First step in export through advance payment is Request for issuance of Form-E/Advance Payment Voucher descriptions:

- Currency to be dealt in.
- Authorized dealer.
- Name and address of Exporter.
- Description of Goods.
- Name and Address of Importer.
- Export destination.
- Amount etc.

At the month end all banks in the country are bound to report all advance payment vouchers details to the central bank e.g. SBP in Pakistan; on the basis of which export figures can be drawn out for the country.

EXPORT THROUGH LETTER OF CREDIT

LETTER OF CREDIT

Letter of credit, abbreviated as L/C, may be defined as

"It's a written undertaking by importer's bank to beneficiary ensuring payment, if beneficiary fulfills the terms and conditions imposed by importer's bank."

STEPS INVOLVED

Below given is the brief description of the steps involved in the export through letter of credit.

- Preparation of all the documents needed as per credit term.
- Request for the issuance of Form-E.
- Deciding upon terms of sale e.g. At-Sight L/C or Usance L/C, freight FOB or CFR etc.
- Certification of Form-E.
- Documents checking by advising bank.

BILLS DEPARTMENT

Bills department performs the following functions.

a. Inward Bills for Collection (IBC)

b. Outwards Bill for Collection (OBC)

- **INWARD BILLS FOR COLLECTION (IBC)**

These are bills or cheques etc., which are collected locally. They are received from outstation branches banks and parties.

- **DEMAND DRAFT:**

If refers to the payments of money on demand of the holder of draft. Demand draft includes DD issues and DD payable.

- **OUTWARDS BILL FOR COLLECTION (OBC)**

These are bills or cheques etc., which are sent intercity for collection.

- **CLEAN BILLS:**

These are negotiable instruments, drawn on outstation branches, bills sent for collection on behalf of the customers i.e. cheques, drafts or treasury bills etc.

- **DOCUMENTARY BILLS:**

These are bills accompanied by documents such as R.R.T.R Bills of landing etc. having title to goods, collected by the bankers on behalf of their customers.

- **PAY SLIP:**

Pay slip is an instrument in receipt, issued by the bank in the following cases:

a. On account of expenditure incurred by the bank.

b. On account of refund of a payment to a persons under certain circumstances.

REMITTANCES

The need of remittance is commonly felt in commercial life particularly and in every day life general. A major function of any banking system is the transfer of funds from one client or one place to another. By providing this service to the customer the bank earns a lot of income in the form of service charges. This department deals with local currency remittance i.e. remittance from one city to another without actually carrying the currency. Al Baraka uses following instrument for transferring of money:

- Demand Drafts (DD)
- Pay Order (PO)
- Telegraphic Transfer (TT)
- Mail Transfer (MT)

DEMAND DRAFTS (DD)

DD is a written order given by the branch of the bank on behalf of the customer to other branch of the same bank to pay the certain amount to the customer. DD are issued for the particular place other than place of issuance. A draft is a Cheque drawn by a bank on its own branch or any other branch of another bank at a different place requesting it to pay on demand a specified amount of money, which is already received, to the person named on it. DD is of following two types:

- DD payable
- DD Paid Suspense a/c

In the first type as advice reaches for payment the immediately pay to the customer while in later as DD presented by the customer, it is paid and the suspense account is debited.

PAY ORDER

For this kind of remittance the payer must have the account in the issuing bank. Pay order are more liquid as compared to cheques because cheques may be dishonored while PO can't be. It is written order issued by the bank drawn and payable on itself. It is used for local transfer

of money from one person to another person. The public also uses it for depositing money with Government or Semi Government department.

Parties in Pay order.

Only three parties are in pay order:

1. Drawer and Drawee branches are the same.
2. Beneficiary/Payee
3. Purchaser. (May be a customer or account holder)

TELEGRAPHIC TRANSFER (TT)

In this case the authority is given from one bank to other on the behalf of the customer through telecommunication to debit their inter office account through them and credit their parties account mentioned in TT. It is an inter bank transaction. Telegraphic transfer is an instant transfer of funds. Through this method applicant can transfer money from one place to another place. There are two types of TT; both types of TT are maintained in separate registers, test is applied by the manager of every amount of TT.

- Incoming TT
- Outgoing TT

Applicant has to fill a form along with depositing amount to be transferred and bank commission. Al Baraka Islamic Bank charges the commission at the same rate as in the case of demand drafts.

Department:

Operations (Lockers & ATM) & Customer Services

Major tasks performed: In this department I did paper work, which includes

- Procedure for opening account
- Filling deposit slips
- Filling of remittance application to transfer funds
- Filling cheques on behalf of customers
- ATM operations

- lockers

Remittances

Major tasks performed: In this department I did paper work which includes

- DD
- PO
- LFT

Department: Foreign Exchange

Major tasks performed: In this department I studied different cases and procedures, which includes

- LC procedure
- Documents required in LC
- Filling of I. Forms

Department: Credit & Clearing

Major tasks performed: In this department I studied different cases and procedures, which includes

- Types of loans
- Procedure for advancing loan
- Clearance of Cheque
  - Inward Clearing
  - Outward Clearing
  - OBC (outward bills for clearing)

FINANCIAL ANALYSIS:

Al Baraka Islamic Bank

Balance sheet

As on 31 December 2007

Assets	2007 Rs. (000)	2008 Rs. (000)
Cash and balances with treasury bank	3,480,878	3,248,922
Balances with other banks	4,131,352	4,647,570
Lending to financial institutions	-	-
Investments	1,153,825	1,124,428
Financings	12,585,549	14,377,810
Other Assets	622,812	631,11
Operating fixed assets	102,697	167,785
Deferred tax asset-net	-	-
Total Assets	**22,077,113**	**24,197,826**

Al Baraka Islamic Bank

Balance sheet

As on 31 December 2007

Liabilities	2007 Rs. (000)	2008 Rs. (000)
Deposits and other accounts	16,964,566	18,336,159
Borrowings from financial Institutions	1,309,411	1,969,849
Bills payable	231,462	219,170
Other liabilities	982,895	1,174,400
Deferred tax liabilities	144,026	132,467
Total Liabilities and Owner equity	**21,832,045**	**19,632,360**

AL Baraka Islamic Bank

Profit and Loss Account

For year ended December 2007

Description	2007 Rs. (000)	2008 Rs. (000)
Mark-up\revenue\Interest earned	1,493,035	1,764,924
Mark-up\Return\Interest expensed	1,089,913	1,333,752
	403,122	**431,172**
Net Spread		
Provision against non performing loans and advances	(17,277)	141,232
Provision against Diminution in value of investments	-	-
Bad Debts written off directly	-	-
	(17,277)	(141,232)
Net mark-up\Interest Income after provision	**385,845**	**289,940**
Fee, Commission and brokerage Income	126,749	130,074
Income\Gain on Investments	50,834	5,603
Income from dealing in foreign currencies	82,166	127,897
Other Incomes	987	905
Dividend Income	8,642	12,214
	(5,225)	72,370

Loss on Investment		
Non mark up Interest Income	**649,998**	**494,263**
Non markup\ Interest Expenses		
Administrative expenses	335,010	572,687
Other provision\write off-Net	163	-
Other Charges	283	121
Total Non mark up and Interest expenses	**(335,542)**	**(572,808)**
Profit before taxation	**314,542**	**78,545**
Taxation – current	(2,889)	(3,303)
-Prior Years	-	
-Deferred	(66,125)	(8,691)
Profit after taxation	**245,528**	**73,157**
Unremitted profit brought forward	154,820	400,348
Unremitted profit	400,348	327,191

RECOMMENDATIONS.

As we seen from the previous analysis of the financial statements we have realized that that **Al Baraka Islamic Bank** is performing very well since its inception. It is quite difficult to give suggestion to improve the banking conditions **Al Baraka Islamic Bank**. As we know that nothing is perfect, there is always a room for improvement, so I have found during my internship can be made up taking into account the following suggestions

- Automated teller machine should be installed in the bank, as the bank has the service of withdrawal through the ATM but not have machine in the Gujranwala Branch and because of this the customer are charge for using ATM that discourage the customers and their banking relationship affects. . In order to complete with the other banks ATM services must be provided throughout the country as this service is becoming very popular in bank customers.
- Proper marketing and advertisement should be done to make the people aware from this Bank, as many people still don't know its name.
- As far as this Gujranwala branch is concern there is a shortage of pamphlets, broacher and other related material in the branch and customer feel difficulty to understand the bank policies and products. So the branch should arrange this material.
- Products growth must be in the horizontal way not in the vertical way.

- There is inadequate staff in the Gujranwala Branch and as the time passes the business of bank is growing so the top management should arrange new employees for its proper functioning.
- Proper training of the employees should be arranged so the staff is well aware from the Islamic finance and it will help to make employees more comfortable while dealing with the customers.
- The Gujranwala branch is in the industrial area so the customer of city feels difficulty while approaching there, the management should inspect new branches within commercial premises of the city.
- Banks different products must be conveyed to the targeted customers so that to have a reasonable share in market.
- Pricing of the products must be curtailed.
- Bank should introduced incentive plans for employees on regular basis so that if employees may work whole-heartedly for the welfare of their organization. While giving incentives qualification, work, experience, hard work and such other factors must be considered.
- Functional segregation must be there.
- Internal control should be strong to avoid negligence of work.
- Online banking must be introduce to have good impact on t

During collecting the information and making report on this bank, I gathered information regarding how successful bank operational aspects decorticated with the practical.

I found in AlBaraka Islamic Bank to be a very rewarding experience. It was beneficial because it helpful me to aware a real life working in a charismatic environment.

I avail the opportunity to the maximum thus learnt a lot about banking procedures. I had made an honest efferent to present the working and operation of AlBaraka Islamic Bank in simplest way in this report.

GLOSSORY

ATM (Automated Teller Machine),

It facilitates the customers by providing the cash with drawl facility even after the banking time. It can be operated 24 hours

C

CHEQUES:

It is a written order of the depositor upon a bank to pay to or to the order of designated party or to a bearer, a specified sum of money on demand.

COMMERCIAL BANK:

A bank is a firm, which collects money from those who have it spare. It lends money to those who require

CNIC:

Computerized national identity card

CREDIBILITY:

The credit worth of a customer for sanctioning loan.

CREDIT:

Credit is defined as direct or indirect lending enabling a person to take possession of goods for future payment.

DORMANT ACCOUNT

Inactive current accounts.

DRAWER:

The maker of the cheque is known as drawer

DRAWEE:

The person directed to pay is called the drawee

DD

(Demand Draft)

DEMAND DRAFT:

It is a written order, drawn by one office (branch) of a bank upon another office (branch) of the same bank, to pay a certain sum of money to or to the order of a specified person.

E

ENDORSEMENT:

When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, on the back or face thereof or on a slip of pap-er annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as negotiable instrument, he is said to endorse the same, and is called the endorser.

F

FOREIGN EXCHANGE:
The foreign exchange term refers to the principles that determine the rate of exchange.

H

HYPOTHECATION:

When property in the shape of goods is charged as security for a loan form the bank the ownership and possession is left with the borrower, the goods are said to be Hypothecated

I

"IJARAH"

It is a term of Islamic fiqh. Lexically, it means **'to give something on rent'**

INWARD CLEARING:

These are all the cheques, which have been drawn on Albaraka Islamic Bank. It follows a predetermined set of sequence

L

LEVIABLE

Applicable

LC:

A letter of credit is a financial instrument used in import export of goods issued by a bank on behalf of one of its customers, authorizes individual or business firm to which it is addressed to draw drafts on the bank for its account under certain conditions as set forth in the document.

LODGMENT:

All documents are found incompliance with the terms and conditions of letter of credit the documents are lodged.

MORTGAGE:

The mortgage generally means the transfer interest in specific property by the borrower to the lender for the purpose of securing loan.

MUSHARAKH:

It is an agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. The profit is distributed among the partners in pre-determined ratios, while the loss is distributed by each partner in proportion to his contribution.

MUSTAJIR:

Person who hires the services in Ijarah.

NEXT TO KIN:

The person who is legally entitled to receive the balance in case of death of account holder.

NEC

(Non Encumbrance Certificate) This document shows that the owner's property have no other owner.

NIFT:

(National institute of facilitation technology).

An institution that helps in the clearing of the cheques.

NOSTRO ACCOUNT:

The accounts of the local banks in the foreign countries that help in the payment and receiving of the imports and exports.

O

ONLINE:

Means transfer of money within a minutes through computer system from one branch to another branch.

OUTWARD CLEARING,

These are all the cheques, which have been drawn on the other banks, and amount of these will be collected from their concerned accounts through the NIFT

P

PAY ORDER:

It is a written order, drawn by one office (branch) of a bank upon itself, to pay a certain sum of money to or to the order of a specified person.

PAYEE;

Person named in the cheque to whom or to whose order the payment is to be made

R

REQUISITION SLIP= A Cheque book issuance slip is used for issuing a new Cheque book.

S

SCRUTNY OF CHEQUES:

Check the cheques/documents whether they all are correct and complete.

SOLVENCY:

"Ability of a business to pay his long term debts is called solvency"

STIPULATED= Set

SUPREME= Best

SANCTION ADVICE= Permit Order

SUBSCRIPTION= Payment

T

TENOR RATE=

When a LC is opened on credit (for 30, 60, or 90 days) than a rate is used in foreign exchange department is called TENOR rate.

TOT'S COURIER=

Services are used like TCS, OCS, etc.

TELEGRAPH TRANSFER:

It is a quick way of transfer of funds from one branch to another branch of the same bank.

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